

The  
Management  
University  
of Africa



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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

ACC 421: AUDITING AND INVESTIGATION

DATE: 1<sup>st</sup> AUGUST 2017

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **six (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.



**QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow:**

**ABC COMPANY**

ABC Company has ZX auditors who have December 2016 in their audit plan as period for carrying out audit for ABC Company which is prepared by audit Manager Jane. She has considered all the matters mentioned above and found the following matters

- i. 2016 audit was compiled in May 2017 and now July 2017 audit is due
- ii. There are several FRs and ISAS and some relevant legislation ,happily all these have been summarized by ZX internal audit and audit partners and Jane has been inducted on these changes
- iii. Jane is new auditor of ABC company from audit partner and she needs to read previous years paper carefully from her predecessor who is the audit partner to whom she reports has retired in Kakemaga and had done 2016 Audit
- iv. A structure review of the company consequently on items mentioned above had appointed new Chief accountant and new site production director in June 2017.
- v. A complete new computer system has been installed in April 2017 and is working well
- vi. The Directors has expressed for audit to be completed in month of August 2017 and they promise to have account ready by July 2017
- vii. The company has no internal audit and it relies on internal control which it carries out in day to day transaction
- viii. There is no joint audit
- ix. ABC is based in One rented building except for branch in Nairobi and new one which is based in Thika

**Required:**

- a) Explain the following a) "internal check", "internal audit" "Auditing" a) "internal Investigation" and "internal control" in the context of Auditing and Investigation

**(10 marks)**



- b) Explain the objectives of internal control in the context of Auditing and Investigation (5Marks)
- c) Discuss the pros and cons of audit program and how one can overcome challenges of audit program (10Marks)

### QUESTION TWO

- a) Discuss the differences between statistical and judgmental sampling in audit and investigation (5marks)
- b) The audit committee of another client, Mumbai Co, has asked the partner to consider whether it would be possible for the audit team to perform a review of the company's internal control system. A number of recent incidents have raised concerns amongst the management team that controls have deteriorated and that this has increased the risk of fraud, as well as inefficient commercial practices. The audit report for the audit of the financial statements of Mumbai Co for the year ended 31 March 2016 was signed a few weeks ago. Mumbai Co is a listed company. In respect of the request for Chennai & Co to review Mumbai Co's internal control systems: Identify and discuss the relevant ethical and professional issues raised, and recommend any actions necessary. (10marks)

### QUESTION THREE

A high-quality audit features the exercise of professional judgement by the auditor, and importantly, a mind-set which includes professional skepticism throughout the planning and performance of the audit. Explain the meaning of the term professional skepticism, and discuss its importance in planning and performing an audit.

(15Marks)

### QUESTION FOUR

- a) State, how the reliability of audit evidence gets affected by the types of Audit evidences. (7 Marks)
- b) Explain the compliance procedure and also substantial procedures as Audit methods of collecting evidences for forming an audit opinion. (8 Marks)



**QUESTION FIVE**

The ABC College, an institution managed by Dayal Trust, has received a grant of 2million USD from Government nodal agencies for funding a project of research on rural health systems in Kenya. Draft an audit programme for auditing this fund in the accounts of the college. (15Marks)

**QUESTION SIX**

Explain five techniques used in directional Testing (15Marks)